

Memorandum

To: Panel Members Date: March 27, 2003

From: Creighton Chan, Manager
Peter DeMauro, General Counsel Analyst: A. Emerson

Subject: One-Step Agreement for **ID8 Media, Inc. <100**
(www.id8media.com)

CONTRACTOR:

- Training Project Profile: Retraining: Companies with Out-of-State Competition
- Legislative Priorities: Stimulating Exports/Imports
- Type of Industry: Services (Software Applications)
- Repeat Contractor: No
- Contractor's Full Time Employees:
 - Company Wide: 19
 - In California: 18
- Fringe Benefits: No
- Union Representation: No
- Name and Local Number of Union representing workers to be Trained: N/A

CONTRACT:

- Program Costs: \$54,000
- Substantial Contribution: \$0
- Total ETP Funding: \$54,000
- In-Kind Contribution: \$54,000
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Alameda, San Francisco and Santa Clara
- Duration of Agreement: 24 Months

SUBCONTRACTORS:

Robert Palioca, Albany, California, \$7,500 for 100 hours of classroom instruction in sales skills, communication skills and management by objective.

THIRD PARTY SERVICES:

The applicant states that no third party services were used in the development of the ETP Application.

NARRATIVE:

This prospective Contractor is eligible for Panel funding under Title 22, California Code of Regulations, Section 4416(a)(3,4), as a facility that provides a service out-of-state; and/or provides a service in the state in competition with other providers of the same service, which are located outside the state.

Founded in 1992 and headquartered in Berkeley, California, ID8 Media, Inc., is a solutions provider of software and hardware systems to the three-dimensional (3D) design and visualization industries. According to the applicant, from its start as a small reseller of architectural computer-aided design (CAD) software and hardware, the company matured into one of the largest multimedia Autodesk (Discreet) value-added resellers in America and one of the largest Autodesk Authorized System Centers in the Western United States. ID8 Media also specializes in such services as software customization, installation, and troubleshooting, tools, consulting services, and user training that allow the film, broadcast, advertising, game-development, architecture, construction, and manufacturing industries to create renderings, films, games, commercials, kiosks, designs, and 3-D interactive virtual space. Among the product applications are building design, interior design, structural evaluation, utility mapping, web development and the design of automobiles and airplanes. Clients include Viewpoint, Inc., in Draper, Utah; Acclaim, Inc., in Salt Lake City, Utah; Eagle County government in Eagle, Colorado; and Bentley, Inc. in Reno, Nevada, as well as the City of Oakland, the City and County of San Francisco, and Eichlcaay Engineers, Inc., in Concord, California. With nineteen full-time employees, ID8 Media operates from five locations, four in northern California (Berkeley, Sunnyvale, San Francisco and Roseville) and one in Nevada.

ID8 Media reports that during the year 2002, approximately 85 percent of the firm's revenue came from reselling software. Reselling computer hardware from companies like Hewlett Packard, Immersion and IBM contributed an additional 5 percent of company revenues while provision of training, systems implementation, customization of and consulting services for the software sold comprised the remaining 10 percent.* During the past year, however, ID8 Media has begun refocusing its efforts from reselling software and hardware to expanding its service business to remain competitive with out-of-state competitors like Avatech, headquartered in Owning Mills, Maryland, Eterra, headquartered in Anchorage, Alaska and Rand, headquartered in Ontario, Canada. During uncertain economic times with typical gross margins in the range of 17-25 percent, reselling computer systems is a low-margin business vulnerable to vendors reducing the margins even further. On the other hand, because the services business offers a higher gross margin in the range of 35-50 percent and because these services naturally complement software and hardware sales, ID8 Media is intensifying this sector of the type size business. Additionally it is setting a target of 41 percent gross profit within the upcoming two years, up an increase of 15 percent from the company's current gross profit margin.

NARRATIVE (continued):

In light of the fact that the services business is more competitive than the reselling business, in December 2002, ID8 Media conducted an exhaustive internal review including job skills assessment which indicated that the company needs to invest significantly more in the workforce by training staff in new and advanced skills to better their computer skills, communications skills, presentation skills, time management proficiency, team-building ability and expertise in new product knowledge.

In contrast to its tradition of reselling computer systems wherein the first phase of the sales process demand creation is usually done by active marketing, the firm's deeper foray into developing services business requires that sales staff be less reactive, less satisfied with the sole accomplishment of converting prospects into clients and closing sales. Instead, developing services business calls for salespersons to go one better and create demand where none seemingly exists. The expanded job responsibilities of these individuals must now involve selling "intangibles," an achievement that is only possible when the salesperson more profoundly understands the client's business and his/her current difficulties in order to envision new services to help the customer extract more return from its existing investment in hardware and software.

Such success is further predicated on mastery of other business skills such as the salesperson's ability to create more compelling presentations to clients and his or her capacity to effectively collaborate with in-house technical staff and with other salespersons. To this end, ID8 Media will be offering training to its sales staff in **Business Skills** such as Advanced Sales Skills, more valuable Communication Skills and better information-capturing techniques. Similarly, application engineers will be versed for the first time in basic Sales Skills to better the company's prospects for making sales. Like the salespersons, they also must learn how to make professional presentations and improve communication skills to increase their repertoire of technical and interpersonal skills as instructors to customers. Besides helping trainees improve their written and verbal communication skills, instruction in Business Skills will be given, such as advanced understanding of financial concepts, more effective pre-sales, sales and post-sales techniques, time-management skills and the concept of project management by objective.

In addition, because ID8 Media's primary vendor, Autodesk, has recently announced the release of new products, instruction in new product knowledge is needed so that staff may offer the most precise and cost-effective solutions to customer problems. At present, a limited number of ID8 Media employees learn the basics of new product information by attending one-day seminars at software manufacturers' sites, gaining knowledge of only the most rudimentary features such as how pressing certain keyboard toggles access preprogrammed data. A more rigorous training needs to be provided to employees whose jobs involve inventing (and selling) processes subliminally latent in such software, processes that are coax out and customized to customers' vastly differing needs. Such instruction, critical to the future of ID8 Media's growth, will be given in-house in a formal classroom setting for the first time, an experience that would never be within reach without ETP assistance.

During 2002, the firm invested \$15,000 in new Oracle Small Business Customer Relationship Management (CRM) accounting software that promises to improve productivity and customer service by integrating several previously autonomous functions that required separate kinds of software. Formal **Computer Skills** training on this system which provides systemic information on client history is also required by all employees. Computer Skills instruction will also include new advanced training on Word, Excel and Power Point software to sharpen all trainees' ability to make sales presentations. Complemented by a course in **Continuous Improvement**, Teambuilding Skills, all employees will learn to work in concert sharing documents, creating tables, formatting information, creating presentation styles,

NARRATIVE (continued):

inserting audio-visual clips and generating required forms. Other features of Oracle Small Business—such as how to capture and share client information--will be covered which will also contribute to increased productivity and better customer service.

All trainees will receive 180 hours of classroom instruction in the above topics to be delivered by ID8 Media and Robert Palioca, an industry specialist. Training will occur at three of the company's Bay Area sites in Berkeley, Sunnyvale and San Francisco. Administrative services will be the sole responsibility of ID8 Media.

Supplemental Nature of Training

Traditionally, ID8 Media has provided only its new employees on-the-job training, approximately 24 hours per person in basic computer skills, fundamental product knowledge and the rudiments of continuous improvement. Under the proposed ETP-funded plan, the firm will be able to deliver critically needed training in Business Skills, Computer Skills and Continuous Improvement which will, for the first time, involve instructors in a classroom environment. As a micro-sized business, ID8 Media has scant resources, and without assistance from ETP could not fund a training plan of the magnitude proposed, either in terms of the amount of training, the methodology of training or the number of persons trained. The company's annual budget for company training averages a total of \$4,000, an amount that affords only the most cursory of on-the-job training; during the two years following completion of the ETP program, ID8 Media plans to continue to offer instruction in continuous improvement techniques, new product knowledge and emerging computer technologies at a cost of \$5,000 a year.

In-Kind Contribution

ID8 Media will pay approximately \$54,000, in wages to program participants while they attend ETP training.

Justification of High Cost

ETP policy requires that when the requested cost per trainee supercedes twice the ETP average cost per person, which amounts to \$2,603, the applicant must justify the high cost per trainee. In this instance, the cost results from the 180-hour menu curriculum and the requested \$20.00 per-hour reimbursement rate accorded small-business applicants. ID8 Media is seeking the permissible reimbursement rate of \$20.00, for the micro-sized firm will incur many costs that even this rate will not begin to cover, such as trainee wages equaling at least the ETP contract amount, and the cost of trainee commutes from various branches to the Berkeley headquarters site for instruction. Second, with respect to the menu course length of 180 hours, the firm conducted an exhaustive training and job needs assessment during December 2002, and determined that the average trainee would need some 220-240 hours of instruction in various subjects if the company were to increase its profit margin within two years as planned. After careful deliberation with the company owner, the training manager agreed that 180 hours was the least amount of time the employees needed to acquire the skills necessary to position the business in an entirely new direction (primarily providing services vs. reselling computer equipment). ID8 Media also states that the training schedule itself is very workable with each trainee receiving two days (16 hours) of training per month, which would involve a total training period of slightly over 11 months, less than half the term of the Agreement.

COMMENTS:

Turnover Rate

ID8 Media, with 19 employees reports that its turnover rate for 2002 was 21 percent, representing the loss of 4 staff who separated from the firm due to extenuating personal circumstances, unrelated to job performance or business conditions. Last year's turnover rate was an anomaly, given that the turnover rates for the years 2000 and 2001 were 0 percent and 16 percent, respectively.

Frontline Workers

With the exception of two managers (13 percent of the training population), all program participants meet the Panel definition of a frontline worker under Title 22, California Code of Regulations, Section 4400(ee).

PROPOSED ACTION:

Staff recommends that the Panel approve the One-Step Agreement if funding is available and the project meets Panel priorities. This recommendation is based on ID8 Media's stated need to maintain and strengthen its foothold in the increasingly competitive California marketplace during uncertain economic times.

TRAINING PLAN:

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Job Number 1 Retrainee	Continuous Improvement Computer Skills Business Skills	15	180	0	0	\$3,600	\$15.66- \$32.64
					<u>Range of Hourly Wages</u>		
					\$15.66 - \$32.64		
					<u>Prevalent Hourly Wage</u>		
					\$18.07		
					<u>Average Cost per Trainee</u>		
					\$3,600		
<u>Health Benefit used to meet ETP minimum wage:</u> Although the company pays health benefits for its employees, the hourly contribution is not being used to meet ETP minimum wage requirements.					<u>Turnover Rate</u> 21%	<u>% of Mgrs & Supervisors to be trained:</u> 13%	

MENU CURRICULUM

Class/Lab Hours: 180

Employees will receive training in any of the following:

1. Computer Skills

- a. Microsoft Powerpoint
- b. Microsoft Excel
- c. Microsoft Word
- d. Customer Relationship Management (CRM) Software: Net Suite, Oracle Small Business

2. Business Skills

- a. Communications skills
 - i. Contract Writing
 - ii. Making Proposals
 - iii. Business Writing
 - iv. Verbal Communication
 - v. Public Speaking
- b. Financial analysis
 - i. Understanding businesses
 - ii. Financial statements
 - iii. Return on Investment
 - iv. Cost of Capital
 - v. Net Present Value
 - vi. Internal Rate of Return
- c. Time management
 - i. Setting Priorities
 - ii. Planning
 - iii. Time Audit
- d. Sales Techniques for Services
 - i. Prospecting
 - ii. Qualifying
 - iii. Closing
- e. Sales Support Activities for Services
 - i. Customized Product Demonstrations
 - ii. Pre sales support
 - iii. After Sales Support

MENU CURRICULUM (continued)

- f. Management By Objective
 - i. Developing a Marketing Plan
 - ii. Developing a Sales Plan
 - iii. Developing an Account Plan
 - iv. Setting Goals
 - v. Strengths, Weaknesses, Opportunities, and Threats (SWOT) Analysis
 - vi. Budgeting
 - vii. Monitoring & Control
 - g. Product Knowledge
 - i. Auto Computer-Aided Drafting (CAD)
 - ii. Autodesk VIZ
 - iii. Autodesk Architectural Desktop
 - iv. Autodesk Revit
 - v. Autodesk Civil Design
 - vi. Autodesk Land Desktop
 - vii. Autodesk Map
 - viii. Autodesk Map Guide
 - ix. AutoCAD Mechanical
 - x. Autodesk Mechanical Desktop
 - xi. Autodesk Inventor
 - xii. 3ds Max
 - xiii. Character Studio
- 3. Continuous Improvement**
- a. Team Building